

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

**NORTH CENTRAL DISTRICT HEALTH
DEPARTMENT (II)**

FY 2006-2007

**Report OP95207
Date Issued: January 13, 2009**

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

**NORTH CENTRAL DISTRICT
HEALTH DEPARTMENT (II)**

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of the North Central District Health Department (II) for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

1. Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

The complete finding is detailed on pages 25 and 26. A copy of the entire report is available at <http://www.legislature.idaho.gov/audit/auditsummaries.htm>.

PRIOR FINDINGS AND RECOMMENDATIONS

There was one finding and recommendation in the prior report.

1. Approximately \$87,000 in expenditures from a \$447,000 federal grant were not expended in accordance with the grant agreement.

The District implemented procedures to ensure the program personnel document their review of expenditures prior to requesting payment approval from the District's director. The finding is considered closed.

AGENCY RESPONSE

The District has reviewed the report and is in general agreement with its contents. The District's complete response is on page 27.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the North Central District Health Department (II), and the District's Board, and is not intended to be used by anyone other than these specified parties.

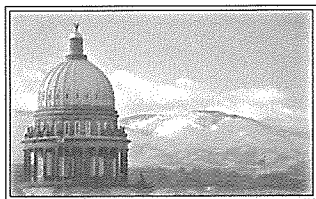
We appreciate the cooperation and assistance given to us by the director, Carol Moehrle, and her staff.

ASSIGNED STAFF

Eugene Sparks, CPA, Managing Auditor
Patrick Aggers, CPA, In Charge Auditor
Craig Weathers, CPA, CIA, CFF, Staff Auditor
Wade Kimball, Staff Auditor
Brinton Croff, Staff Auditor

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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 5, 2009

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Carol Moehrle, Director
North Central District Health Department (II)
215 10th Street
Lewiston, ID 83501

Gary Morris, Chair
District II Board of Health
215 10th Street
Lewiston, ID 83501

Dear Ms. Moehrle and Mr. Morris:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the North Central District Health Department (II), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the major fund and the remaining fund information of the District as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

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Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

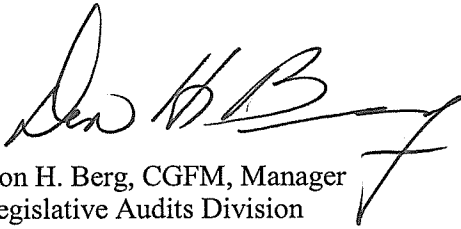
an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 14 and 15 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", followed by a long horizontal flourish.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Governmental Activities	June 30, 2007 Governmental Activities
ASSETS		
Cash	\$109,524	\$46,172
Investments	2,144,771	2,569,337
Interagency Receivables	20,275	112,583
Accounts Receivable	139,482	144,106
Prepaid Expense	5,409	4,323
Capital Assets:		
Non-depreciable	545,455	545,455
Depreciable, Net	2,964,062	2,962,402
Total Assets	<u>\$5,928,978</u>	<u>\$6,384,378</u>
CURRENT LIABILITIES		
Accounts Payable	\$5,889	\$24,292
Payroll and Benefits Payable	98,998	97,738
Compensated Absences	154,602	162,582
NONCURRENT LIABILITIES		
Compensated Absences	11,344	0
Total Liabilities	<u>\$270,833</u>	<u>\$284,612</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$3,509,517	\$3,507,857
Unrestricted	2,148,628	2,591,909
Total Net Assets	<u>\$5,658,145</u>	<u>\$6,099,766</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006 AND 2007

	FY 2006	PROGRAM REVENUE		Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
PROGRAMS				
Governmental Activities:				
Board of Health	\$22,194	\$0	\$0	(\$22,194)
Administration	130,295	0	0	(130,295)
Family and Community Health	1,603,959	564,068	1,108,046	68,155
Environmental Health	606,354	236,316	244,119	(125,919)
Health Education	1,110,725	18,135	1,114,972	22,382
General Support	1,043,209	16,980	0	(1,026,229)
Total Governmental Activities	<u>\$4,516,736</u>	<u>\$835,499</u>	<u>\$2,467,137</u>	<u>(\$1,214,100)</u>

General Revenues:	
State General Support	\$938,500
Interest Income	45,270
County Contributions	669,964
Total General Revenues	<u>\$1,653,734</u>
Change in Net Assets	439,634
Beginning Net Assets (As Restated)	<u>5,218,511</u>
Ending Net Assets	<u>\$5,658,145</u>

	FY 2007	PROGRAM REVENUE		Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
PROGRAMS				
Governmental Activities:				
Board of Health	\$18,294	\$0	\$0	(\$18,294)
Administration	136,371	0	0	(136,371)
Family and Community Health	1,939,249	555,806	1,092,226	(291,217)
Environmental Health	581,113	239,905	180,179	(161,029)
Health Education	1,167,439	14,151	1,212,318	59,030
General Support	773,412	52,570	0	(720,842)
Total Governmental Activities	<u>\$4,615,878</u>	<u>\$862,432</u>	<u>\$2,484,723</u>	<u>(\$1,268,723)</u>

General Revenues:	
State General Support	\$909,700
Interest Income	149,566
County Contributions	651,078
Total General Revenues	<u>\$1,710,344</u>
Change in Net Assets	441,621
Beginning Net Assets	<u>5,658,145</u>
Ending Net Assets	<u>\$6,099,766</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Special Revenue Fund	June 30, 2007 Special Revenue Fund
<u>ASSETS</u>		
Cash	\$109,524	\$46,172
Investments	2,144,771	2,569,337
Interagency Receivables	20,275	112,583
Accounts Receivable	139,482	144,106
Prepaid Expense	5,409	4,323
Total Assets	<u>\$2,419,461</u>	<u>\$2,876,521</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Current Liabilities		
Accounts Payable	\$5,889	\$24,292
Payroll and Benefits Payable	98,998	97,738
Total Liabilities	<u>\$104,887</u>	<u>\$122,030</u>
Fund Balances		
Reserved for:		
Prepaid Items	\$5,409	\$4,323
Unreserved Special Revenue Fund	<u>2,309,165</u>	<u>2,750,168</u>
Total Fund Balance	<u>\$2,314,574</u>	<u>\$2,754,491</u>
Total Liabilities and Fund Balance	<u>\$2,419,461</u>	<u>\$2,876,521</u>
<u>RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS</u>		
Total Fund Balances For Governmental Funds	\$2,314,574	\$2,754,491
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	3,509,517	3,507,857
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences.	<u>(165,946)</u>	<u>(162,582)</u>
Net Assets of Governmental Activities	<u>\$5,658,145</u>	<u>\$6,099,766</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006 AND 2007

	Year Ended June 30, 2006			Year Ended June 30, 2007		
	Special Revenue Fund 0290	Millennium Fund 0499	Total Governmental Funds	Special Revenue Fund 0290	Millennium Fund 0499	Total Governmental Funds
REVENUES						
Health and Professional Services	\$778,343	\$34,400	\$812,743	\$844,715	\$50,800	\$895,515
Interest / Income on Investments	45,271	0	45,271	149,565	0	149,565
Federal Grants	2,383,295	0	2,383,295	2,342,988	0	2,342,988
State Grants	95,006	0	95,006	90,935	0	90,935
City/County Grants	669,964	0	669,964	651,078	0	651,078
Rent and Lease Income	11,591	0	11,591	17,717	0	17,717
General Fund Support	938,500	0	938,500	909,700	0	909,700
Total Revenues	\$4,921,970	\$34,400	\$4,956,370	\$5,006,698	\$50,800	\$5,057,498
EXPENDITURES						
Current						
Administration and Board of Health	\$197,182	\$0	\$197,182	\$197,897	\$0	\$197,897
Physical Health	1,598,018	0	1,598,018	1,940,888	0	1,940,888
Environmental Health	559,284	0	559,284	538,832	0	538,832
Health Education	1,074,025	34,400	1,108,425	1,117,413	50,800	1,168,213
General Support	928,935	0	928,935	655,246	0	655,246
Capital Outlay	300,381	0	300,381	116,505	0	116,505
Total Expenditures	\$4,657,825	\$34,400	\$4,692,225	\$4,566,781	\$50,800	\$4,617,581
Excess (Deficiency) of Revenues						
Over Expenditures - Net Change in Fund Balance	\$264,145	\$0	\$264,145	\$439,917	\$0	\$439,917
Beginning Fund Balance, as restated	2,050,429	0	2,050,429	2,314,574	0	2,314,574
Ending Fund Balance	\$2,314,574	\$0	\$2,314,574	\$2,754,491	\$0	\$2,754,491

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

	FY 2006	FY 2007
Net Change in Fund Balances for Total Governmental Funds	\$264,145	\$439,917
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense.		
Depreciation expense was less than capital outlays in FY 06 but more than capital outlay in FY 07 by the following amounts:		
Capital Outlay	300,381	116,505
Depreciation Expense	(114,274)	(118,165)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.		
	(10,618)	3,364
Change in Net Assets of Governmental Activities	\$439,634	\$441,621

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The District is not a State agency. In determining how to define the District for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statement 14*, as amended by *GASB Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program revenues.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in Capital Assets, Net of Related Debt* are capital assets, net of accumulated depreciation and reduced by related outstanding debt.
2. *Restricted Net Assets* result when constraints placed on net asset use are externally imposed by contributors, by law, or by enabling legislation.
3. *Unrestricted Net Assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program revenues are reported as general revenue.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Sales of services, interest, and federal grant expenditures are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

ASSETS, LIABILITIES, AND NET ASSETS

Cash

The District's primary governmental fund cash is considered to be cash on hand and on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is included in Note 2.

Accounts Receivable

Accounts receivable consist of reimbursements from county contributions, federal grants, and client accounts.

Inventories and Prepaid Items

The District uses the purchases method of accounting for inventory and prepaid expenses. Inventory expensed using the purchase method is not significant and does not require disclosure on the balance sheet.

Interagency Receivables and Payables

Interagency receivables and payables are funds due to and from State agencies for contract services. The transfers are usually completed monthly.

Capital Assets

Purchased capital assets are reported at cost. Assets donated are reported at market value on the date of donation. Only capital assets with a value of \$5,000 or greater are capitalized. A salvage value is calculated for vehicles at 20% of cost, and only 80% of value is depreciated on a straight-line basis. A gain or loss is booked accordingly at disposal. Depreciation is recorded using the straight-line method over the asset's estimated useful life as follows:

Equipment	3-30 years
Building/Improvements	10-50 years
Vehicles	5 years

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note 5.

REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity and then by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applicants for services provided and certain grants and contributions. General revenues include Idaho State appropriations, County contributions, and interest.

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function.

RESTATEMENTS

The beginning balance of depreciable net assets was restated at July 1, 2005, to reflect actual assets on hand. Previously, vehicles were understated by \$60,764, and accumulated depreciation was overstated by \$19,762.

The District elected to change its accounting principle for inventory from the consumption method to the purchase method of accounting. The individual items in inventory are not significant. The beginning fiscal year 2006 net assets were restated by negative \$84,769 to account for this change.

Immaterial differences between the financial statements and notes are due to rounding.

NOTE 2. INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The Idle Fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Sections 67-1210 and 67-1210A. Participation in the pool is voluntary.

The District participates in the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). Both are external investment pools sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011, or on the Controller's Web site at <http://www.sco.idaho.gov>.

Idaho Code, Sections 67-1210 and 67-1210A restrict the State Treasurer to certain types of investments.

Credit Ratings

In fiscal year 2006, the LGIP and DBF were unrated. In fiscal year 2007 they were rated AA+ by Standard and Poor's rating services. The District does not have a formal policy to address credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal policy to address interest rate risk.

The following schedule represents the District's investments at market value in the external investment pools, and a distribution of their maturities at June 30, 2006 and 2007:

<u>June 30, 2006</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	\$438,806	135 days
Diversified Bond Fund	<u>1,705,965</u>	4.7 years
Total	<u>\$2,144,771</u>	
<u>June 30, 2007</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	\$759,678	91 days
Diversified Bond Fund	<u>1,809,659</u>	4.4 years
Total	<u>\$2,569,337</u>	

NOTE 3. COMPENSATED ABSENCES

The District is not part of the State, but has decided to follow State rules on compensated absences. The District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those who are ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave but is not subject to any limitation. Effective June 2007, earned administrative leave was no longer an option for employees. Accumulated earned administrative leave must be used by June 30, 2008, or the District will have to pay any balances left on July 1, 2008. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

As of June 30, 2006 and 2007, the following compensated absences have been accrued by employees of the District. These amounts are reported on the government-wide financial statements. A liability for the amount is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement. Compensated absences are paid from the District's main operating fund.

FY 2006	
<u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2005	\$155,328
Increases	163,418
Decreases	<u>(152,800)</u>
Ending Balance June 30, 2006	<u>\$165,946</u>

The District estimates the amount due within one year is \$154,602.

FY 2007	
<u>Changes to Compensated Absences</u>	
Beginning Balance July 1, 2006	\$165,946
Increases	164,630
Decreases	<u>(167,994)</u>
Ending Balance June 30, 2007	<u>\$162,582</u>

The District estimates the amount due within one year is \$162,582.

NOTE 4. PENSION PLANS

The Public Employee Retirement System of Idaho (PERSI) was created by the Idaho State Legislature and administers the PERSI Base Plan and the PERSI Choice Plan. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. PERSI's annual financial reports are available from PERSI.

The Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the District and its employees are established and may be amended by the PERSI Retirement Board. For the period from July 1, 2005 to June 30, 2007, the required contribution rate as a percent of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The District contributions required and paid were \$211,303, \$219,579, and \$227,283 for the three years ended June 30, 2005, 2006, and 2007, respectively.

The PERSI Choice Plan is a defined contribution retirement plan. The defined contribution plan includes the 401(k) and the 414(k). Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. The assets of the 401(k) and the 414(k) are commingled for investment and record keeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Participants in the 401(k) plan can make tax deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period. For the audit period no voluntary employer matching contributions have been made.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2006 and 2007 is as follows:

	Balances at July 1, 2005 As Adjusted	Increases	Decreases	Balances at June 30, 2006
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$545,455	\$0	\$0	\$545,455
Total Capital Assets not Being Depreciated	<u>\$545,455</u>	<u>\$0</u>	<u>\$0</u>	<u>\$545,455</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$3,101,813	\$270,427	\$0	\$3,372,240
Equipment	104,996	29,954	0	134,950
Vehicles - Restated at 7/1/2005	157,757	0	0	157,757
Total Capital Assets Being Depreciated	<u>\$3,364,566</u>	<u>\$300,381</u>	<u>\$0</u>	<u>\$3,664,947</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(\$470,598)	(\$83,899)	\$0	(\$554,497)
Equipment	(34,380)	(16,581)	0	(50,961)
Vehicles - Restated at 7/1/2005	(81,632)	(13,794)	0	(95,426)
Total Accumulated Depreciation	<u>(\$586,610)</u>	<u>(\$114,274)</u>	<u>\$0</u>	<u>(\$700,884)</u>
Total Capital Assets Being Depreciated, Net	<u>\$2,777,956</u>	<u>\$186,107</u>	<u>\$0</u>	<u>\$2,964,063</u>
Governmental Activities Capital Assets, Net	<u>\$3,323,411</u>	<u>\$186,107</u>	<u>\$0</u>	<u>\$3,509,518</u>
	Balances at \$38,898	Increases	Decreases	Balances at \$0
Capital Assets not being Depreciated:				
Land	\$545,455	\$0	\$0	\$545,455
Total Capital Assets not Being Depreciated	<u>\$545,455</u>	<u>\$0</u>	<u>\$0</u>	<u>\$545,455</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$3,372,240	\$86,344	\$0	\$3,458,584
Equipment	134,950	8,633	0	143,583
Vehicles	157,757	21,527	0	179,284
Total Capital Assets Being Depreciated	<u>\$3,664,947</u>	<u>\$116,504</u>	<u>\$0</u>	<u>\$3,781,451</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(\$554,497)	(\$83,956)	\$0	(\$638,453)
Equipment	(50,961)	(17,568)	0	(68,529)
Vehicles	(95,426)	(16,641)	0	(112,067)
Total Accumulated Depreciation	<u>(\$700,884)</u>	<u>(\$118,165)</u>	<u>\$0</u>	<u>(\$819,049)</u>
Total Capital Assets Being Depreciated, Net	<u>\$2,964,063</u>	<u>(\$1,661)</u>	<u>\$0</u>	<u>\$2,962,402</u>
Governmental Activities Capital Assets, Net	<u>\$3,509,518</u>	<u>(\$1,661)</u>	<u>\$0</u>	<u>\$3,507,857</u>

NOTE 6. OPERATING LEASES

Operating leases are leases for which the District will not gain title to the asset. The leases contain various renewal options and some have purchase options. Operating lease payments are recorded as expenditures when paid or incurred. The District's total operating lease expenditures for fiscal years 2006 and 2007 were \$27,302 and \$26,346, respectively.

Future minimum lease commitments for non-cancelable operating leases as of June 30, 2007 are:

<u>Fiscal Year</u>	
2008	\$18,954
2009	<u>1,558</u>
Total	<u><u>\$20,512</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$932,000	\$932,000	\$938,500	\$6,500
County	658,560	658,560	669,964	11,404
Contracts	2,163,100	2,163,100	2,446,175	283,075
Fees	615,566	615,566	778,343	162,777
Interest	59,699	59,699	99,125	39,426
Rent Income	16,885	16,885	11,591	(5,294)
	<u>\$4,445,810</u>	<u>\$4,445,810</u>	<u>\$4,943,698</u>	<u>\$497,888</u>

Reconciliation to GAAP Basis Revenues:

Change in Interagency Receivable	\$8,785
Change in Accounts Receivable	23,342
Unrecognized Loss on Investments	(53,855)
Total GAAP Revenues	<u>\$4,921,970</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$3,240,352	\$3,240,352	\$3,108,089	\$132,263
Operating	930,000	930,000	970,644	(40,644)
Capital Outlay	25,000	325,381	300,381	25,000
Trustee Benefits	427,500	427,500	398,807	28,693
Total Expenditures	<u>\$4,622,852</u>	<u>\$4,923,233</u>	<u>\$4,777,921</u>	<u>\$145,312</u>

Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	(\$21,044)
Change in Payroll Payable	(98,143)
Change in Prepaid Expense	(909)
Total GAAP Expenditures	<u>\$4,657,825</u>

The accompanying note is an integral part of the financial schedule.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$907,200	\$907,200	\$909,700	\$2,500
County	671,731	671,731	651,078	(20,653)
Contracts	2,133,638	2,168,638	2,336,991	168,353
Fees	729,879	729,879	844,715	114,836
Interest	70,000	84,000	129,610	45,610
Rent Income	12,362	12,362	17,717	5,355
	<u>\$4,524,810</u>	<u>\$4,573,810</u>	<u>\$4,889,811</u>	<u>\$316,001</u>

Reconciliation to GAAP Basis Revenues:

Change in Interagency Receivable	\$92,307
Change in Accounts Receivable	4,625
Unrealized Gain on Investments	19,955
Total GAAP Revenues	<u>\$5,006,698</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$3,283,560	\$3,283,560	\$3,039,870	\$243,690
Operating	978,000	978,000	983,822	(5,822)
Capital Outlay	0	0	116,505	(116,505)
Trustee Benefits	320,636	320,636	408,356	(87,720)
Total Expenditures	<u>\$4,582,196</u>	<u>\$4,582,196</u>	<u>\$4,548,553</u>	<u>\$33,643</u>

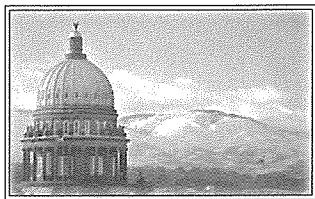
Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	\$18,403
Change in Payroll Payable	(1,261)
Change in Prepaid Expense	1,086
Total GAAP Expenditures	<u>\$4,566,781</u>

The accompanying note is an integral part of the financial schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The chairmen of the boards of county commissioners located within the District serve as the Budget Committee for the District. The District Board of Health submits the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District is approved by a majority of the Budget Committee. Any adjustments to the budget are approved by the District Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 5, 2009

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
with Government Auditing Standards

Carol Moehrle, Director
North Central District Health Department (II)
215 10th Street
Lewiston, ID 83501

Gary Morris, Chair
District II Board of Health
215 10th Street
Lewiston, ID 83501

Dear Ms. Moehrle and Mr. Morris:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of the North Central District Health Department (II) as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 2007-01 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in Finding 2007-01 to be a material weakness.

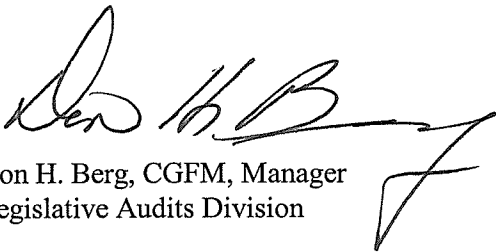
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

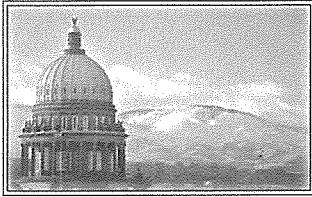
We noted certain other matters that we have reported to the management of the District in a separate letter.

This report is intended solely for the information and use of the State of Idaho, the North Central District Health Department (II), and the District's Board, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a long horizontal flourish extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

January 5, 2009

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Carol Moehrle, Director
North Central District Health Department (II)
215 10th Street
Lewiston, ID 83501

Gary Morris, Chair
District II Board of Health
215 10th Street
Lewiston, ID 83501

Dear Ms. Moehrle and Mr. Morris:

Compliance

We have audited the compliance of the North Central District Health Department (VII) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as described above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of the State of Idaho, the North Central District Health Department (II), the District's Board, and federal awarding agencies, and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 and 2007

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Exp. FY 2006	Federal Exp. FY 2007	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Pass Through Idaho Department of Health and Welfare							
WIC Administration	10.557	HC475400	10/1/04-9/30/06	\$491,769	\$279,089	\$20,386	\$299,475
WIC Administration	10.557	HC557400	10/1/06-9/30/07	240,365	0	236,412	236,412
Total CFDA 10.577					\$279,089	\$256,798	\$535,887
TOTAL U.S. DEPARTMENT OF AGRICULTURE					\$279,089	\$256,798	\$535,887
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>							
Pass Through the Idaho Housing and Finance Association							
HOPWA (Housing for People with Aids)	14.241	HOPWA-05-03	7/1/05-6/30/06	15,847	\$15,627	\$0	\$15,627
HOPWA (Housing for People with Aids)	14.241	HOPWA-06-03	7/1/06-6/30/07	10,861	0	7,655	7,655
Total CFDA 14.241					\$15,627	\$7,655	\$23,282
Lewis Clark Bicentennial Solid Waste Disposal	14.246	B-03-SP-ID-0201	1/14/04-2008	447,075	\$7,144	\$0	\$7,144
Total CFDA 14.246					\$7,144	\$0	\$7,144
TOTAL U.S. HOUSING AND URBAN DEVELOPMENT					\$22,771	\$7,655	\$30,426
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>							
Pass Through the American Academy of Pediatrics - Idaho Chapter							
Child Passenger Safety Grant	20.600	MOU	4/9/06-9/30/06	14,964	\$589	\$13,940	\$14,529
Total CFDA 20.600					\$589	\$13,940	\$14,529
Pass Through the Idaho Office of Highway Safety							
Seat Belt Survey	20.600	MOU	6/4/07-7/8/07	700	\$0	\$354	\$354
Total CFDA 20.600					\$0	\$354	\$354
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					\$589	\$14,294	\$14,883
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>							
Pass Through Idaho Department of Health and Welfare							
Radon Education	66.032	HC503800	7/1/05-6/30/06	3,000	\$3,000	\$0	\$3,000
Total CFDA 66.032					\$3,000	\$0	\$3,000
Pass Through State Department of Environmental Quality							
Public Drinking Water	66.432	S159	7/1/05-6/30/07	85,014	\$42,507	\$42,507	\$85,014
Total CFDA 66.432					\$42,507	\$42,507	\$85,014
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					\$45,507	\$42,507	\$88,014
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
Pass Through National Association of County and City Health Officials (NACCHO)							
Medical Reserve Corps	93.008	MRC 07243	7/31/07-mutual agmt.	10,000	\$0	\$10,000	\$10,000
Total CFDA 93.008					\$0	\$10,000	\$10,000
Refugee Health Programs	93.576	90RX0130/03	7/1/05-6/30/06	74,591	\$74,591	\$0	\$74,591
Refugee Health Programs	93.576	90RX0186/01	7/1/06-6/30/11	60,000	0	60,000	60,000
Total CFDA 93.576					\$74,591	\$60,000	\$134,591
Pass Through Idaho Department of Health and Welfare							
Tuberculosis - Direct Observed Therapy	93.116	HC494000	1/1/05-12/31/05	5,300	\$683	\$0	\$683
Tuberculosis - Direct Observed Therapy	93.116	HC535000	1/1/06-12/31/06	5,200	1,840	1,225	3,065
Tuberculosis - Direct Observed Therapy	93.116	HC567400	1/1/07-12/31/07	5,200	0	3,034	3,034
Total CFDA 93.116					\$2,523	\$4,259	\$6,782

The accompanying notes are an integral part of the financial schedule.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 and 2007

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Exp. FY 2006	Federal Exp. FY 2007	Total Federal Expenditures
Family Planning	93.217	HC409300	9/1/03-6/30/06	\$275,812	\$108,821	\$0	\$108,821
Family Planning	93.217	NO CONTRACT	7/1/06-9/30/06	0	82,200	0	82,200
Family Planning	93.217	HC561700	10/1/06-6/30/07	36,194	0	36,194	36,194
Total CFDA 93.217					\$191,021	\$36,194	\$227,215
Adolescent Pregnancy	93.235	HC496400	3/1/05-9/30/2005	20,000	\$10,596	\$0	\$10,596
Adolescent Pregnancy	93.235	HC496400	10/1/05-8/31/06	35,500	33,044	2,456	35,500
Total CFDA 93.235					\$43,640	\$2,456	\$46,096
Immunizations - 0-24 months	93.268	HC493100	1/1/05-12/31/05	57,295	\$19,354	\$0	\$19,354
Immunizations - 0-24 months	93.268	HC532500	1/1/06-12/31/06	56,394	56,394	0	56,394
Immunizations - 0-24 months	93.268	HC566000	1/1/07-12/31/07	55,180	0	55,180	55,180
Total CFDA 93.268					\$75,748	\$55,180	\$130,928
Asthma	93.283	HC463000	9/1/04-8/31/05	11,500	\$1,505	\$0	\$1,505
Asthma	93.283	HC508700	9/1/05-8/31/06	14,020	14,020	0	14,020
Asthma	93.283	HC551100	9/1/06-8/31/07	14,000	0	14,000	14,000
Comprehensive Cancer Control	93.283	HC558700	10/30/2006-6/30/2007	12,538	0	12,538	12,538
Epidemiology - West Nile Virus	93.283	HC501600	6/1/05-9/30/05	4,000	1,650	0	1,650
Epidemiology - West Nile Virus	93.283	HC574200	6/1/07-12/31/07	2,000	0	300	300
Women's Health Check	93.283	HC499100	7/1/05-6/29/06	33,390	33,063	0	33,063
Women's Health Check	93.283	HC538500	7/1/06-6/30/07	33,320	0	25,967	25,967
Tobacco Prevention	93.283	HC504400	7/1/05-6/30/06	43,715	43,715	0	43,715
Tobacco Prevention	93.283	HC542000	7/1/06-6/30/08	87,430	0	49,749	49,749
Bioterrorism Surveillance and Epidemiology	93.283	HC471500	8/31/04-8/30/05	92,857	20,411	0	20,411
Bioterrorism Surveillance and Epidemiology	93.283	HC522000	8/31/05-8/30/06	158,409	134,887	23,522	158,409
Bioterrorism Preparedness Plan	93.283	HC469500	9/1/04-8/31/05	456,452	17,727	0	17,727
Bioterrorism Preparedness Plan	93.283	HC519400	8/31/05-8/30/06	393,745	339,407	50,605	390,012
Bioterrorism Preparedness Plan - Focus A	93.283	HC556600	8/31/06-8/31/07	345,919	0	275,431	275,431
Bioterrorism Preparedness Exercise - Focus A	93.283	HC556600	8/31/06-8/31/07	22,000	0	20,061	20,061
Bioterrorism Epidemiology	93.283	HC560900	8/31/06-8/30/07	163,085	0	133,021	133,021
Pandemic Flu Planning	93.283	HC539700	5/30/06-8/30/07	200,078	0	157,484	157,484
Total CFDA 93.283					\$606,385	\$762,678	\$1,369,063
Health and Safety for Kids	93.558	2C078200	10/1/03-9/30/07	46,600	\$12,618	\$2,838	\$15,456
Immunizations - Registry	93.558	HC500100	7/1/05-6/30/07	106,188	53,094	53,094	106,188
Total CFDA 93.558					\$65,712	\$55,932	\$121,644
Refugee Assistance	93.566	WC047600	10/1/03-6/30/07	397,000	\$106,140	\$141,415	\$247,555
Total CFDA 93.566					\$106,140	\$141,415	\$247,555
Child Care	93.575	WC038500	7/1/02-6/30/06	204,300	\$69,216	\$0	\$69,216
Child Care	93.575	WC055900	7/1/06-9/30/10	311,130	0	67,456	67,456
Total CFDA 93.575					\$69,216	\$67,456	\$136,672
Child Find	93.778	2C077200	7/1/03-6/30/07	141,000	\$37,000	\$37,000	\$74,000
Total CFDA 93.778					\$37,000	\$37,000	\$74,000
Health Resources Services Administration (HRSA)	93.889	HC470300	9/1/04-8/31/05	349,375	\$288,018	\$0	\$288,018
Health Resources Services Administration (HRSA)	93.889	HC470300	9/1/05-8/31/06	308,949	67,324	241,625	308,949
Health Resources Services Administration (HRSA)	93.889	HC556000	9/1/06-8/31/07	82,177	0	64,846	64,846
Total CFDA 93.889					\$355,342	\$306,471	\$661,813

The accompanying notes are an integral part of the financial schedule.

STATE OF IDAHO
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT (II)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 and 2007

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Exp. FY 2006	Federal Exp. FY 2007	Total Federal Expenditures
Ryan White HIV Case Management Total CFDA 93.917	93.917	HC 449700	4/1/04-3/31/08	\$56,694	\$15,295	\$14,942	\$30,237
					\$15,295	\$14,942	\$30,237
HIV Prevention Intervention	93.940	HC533900	1/1/06-12/31/07	58,600	\$16,900	\$25,300	\$42,200
HIV Prevention Total CFDA 93.940	93.940	HC490800	1/1/05-12/31/07	54,528	20,650	8,869	29,519
					\$37,550	\$34,169	\$71,719
HIV Surveillance	93.944	HC492400	1/1/05-12/31/05	3,400	\$2,293	\$0	\$2,293
HIV Surveillance	93.944	HC534300	1/1/06-12/31/06	3,400	232	968	1,200
HIV Surveillance Total CFDA 93.944	93.944	HC566700	1/1/07-12/31/07	3,500	0	370	370
					\$2,525	\$1,338	\$3,863
Sexually Transmitted Disease Total CFDA 93.977	93.977	HC490800	1/1/05-12/31/07	53,820	\$17,090	\$17,435	\$34,525
					\$17,090	\$17,435	\$34,525
Risk Reduction - Diabetes	93.988	HC497200	4/1/05-3/29-06	15,500	\$11,786	\$0	\$11,786
Risk Reduction - Diabetes	93.988	HC536000	4/1/06-3/29/07	17,500	4,688	12,812	17,500
Risk Reduction - Diabetes Total CFDA 93.988	93.988	HC569600	4/1/07-3/29/08	17,500	0	1,091	1,091
					\$16,474	\$13,903	\$30,377
Injury Prevention	93.991	HC487500	10/1/04-9/30/05	36,021	\$10,204	\$0	\$10,204
Injury Prevention	93.991	HC522100	10/1/05-9/30/06	43,003	32,990	10,013	43,003
Injury Prevention Total CFDA 93.991	93.991	HC563200	11/1/06-9/30/07	36,000	0	26,287	26,287
					\$43,194	\$36,300	\$79,494
Epidemiology - MCH	93.994	HC525000	10/1/05-9/30/06	21,545	\$21,545	\$0	\$21,545
Epidemiology - MCH	93.994	HC562600	10/1/06-9/30/07	21,631	0	13,160	13,160
Family Planning - MCH	93.994	HC410100	10/1/03-9/30/07	336,000	84,000	84,000	168,000
Body Mass Index Training	93.994	HC489900	1/1/05-12/31/05	13,750	1,500	0	1,500
Children's Special Health Program	93.994	Letter			391	944	1,335
Oral Health	93.994	HC478200	10/1/04-9/30/05	17,081	4,662	0	4,662
Oral Health	93.994	HC525800	10/1/05-9/30/06	24,382	21,777	2,605	24,382
Oral Health Total CFDA 93.994	93.994	HC560300	10/1/06-9/30/07	27,279	0	28,765	28,765
					\$133,875	\$129,474	\$263,349
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$1,893,321	\$1,786,602	\$3,679,923
<u>U.S. DEPARTMENT OF FOOD AND DRUG ADMINISTRATION</u>							
Pass Through Idaho Department of Health and Welfare							
FDA	93.999	HC406600	7/1/03-6/30/06	28,392	\$7,089	\$0	\$7,089
Total CFDA 93.999					\$7,089	\$0	\$7,089
TOTAL U.S. DEPARTMENT OF FOOD AND DRUG ADMINISTRATION					\$7,089	\$0	\$7,089
TOTAL CASH EXPENDITURES					\$2,248,366	\$2,107,856	\$4,356,222
Non-Cash Expenditures							
WIC Food Vouchers	10.557				\$941,090	\$1,122,960	\$2,064,050
Value of Serum	93.268				87,699	121,048	208,747
TOTAL NON-CASH EXPENDITURES					\$1,028,789	\$1,244,008	\$2,272,797
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$3,277,155	\$3,351,864	\$6,629,019

The accompanying notes are an integral part of the financial schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

NOTE 2. WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal years 2006 and 2007 was \$941,090 and \$1,122,960, respectively.

NOTE 3. VALUE OF VACCINE SERUM

The District provides vaccines free of charge to children 18 years of age or younger. The District determines whether the vaccine recipient is eligible to receive the vaccine under the Federal Immunization Grant. The vaccine serums are ordered by the Idaho Department of Health and Welfare, and delivered to the District as needed. The vaccine serum value supplied by the State Health and Welfare Department was \$87,699 in fiscal year 2006 and \$121,048 in fiscal year 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed a significant deficiency that was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit disclosed no significant deficiencies or material weaknesses in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Immunization Grants	93.268
Centers for Disease Control and Prevention	93.283
Bioterrorism HRSA	93.889

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. North Central District Health Department (II) did qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

FINDING #2007-01

Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

Internal controls are essential to ensure that financial statements and note disclosures are accurate and complete. We noted several errors and omissions in the financial statements as a result of internal control weaknesses. We are required by generally accepted auditing standards to disclose the weaknesses in the report. The following are the examples of the conditions we noted.

1. The change in accounting principles for inventory was not disclosed properly.
2. The Millennium Fund was misclassified as State general support on the Statement of Activities.
3. The investment balances and income amounts were not reported accurately.
4. Depreciation expense was classified incorrectly.
5. State grant revenue was misclassified as federal grant revenue.

6. Several of the Notes to the Financial Statements were missing disclosures required by accounting standards.
7. Amounts reported for accounts receivable were not supported.
8. The beginning net assets amount required reinstatement.
9. Totals on the statements did not foot due to mathematical errors.

Adjustments were made to the financial statements to correct the conditions listed above. The overall internal control structure of the District is adequate. These conditions represent instances where controls should be reviewed and strengthened as appropriate.

RECOMMENDATION

We recommend that the District review the internal controls over preparation of the financial statements and notes and strengthen the process as appropriate. The review should include the process for ensuring the completeness and accuracy of the financial statements and note disclosures.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

To address the finding of inadequate internal controls over preparation of the financial statements, we will implement internal controls to detect and prevent financial statement misstatements in the future. The finance department is under new management and will take the following action:

- Prepare annual financial statements to improve accuracy
- Incorporate specific issues from the finding into a checklist to improve quality.
- Attend professional education meetings covering changing GASB requirements.
- Work more closely with other health districts to obtain consistency.
- Work closely with the Legislative Services Office (LSO) to clarify unanswered questions before submitting the final version of financial statements.
- Consider outside review of financial statements prior to submitting to LSO.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

AGENCY RESPONSE



Public Health

North Central District Health Department

Nez Perce County

215 10th Street
Lewiston, ID 83501
(208) 799-3100
Fax (208) 799-0349

Latah County

333 E Palouse River Drive
Moscow, ID 83843
(208) 882-7506
Fax (208) 882-3494

Clearwater County

105 115th Street
Orofino, ID 83544
(208) 476-7850
Fax (208) 476-7494

Idaho County

903 West Main
Grangeville, ID 83530
(208) 983-2842
Fax (208) 983-2845

Lewis County

132 N Hill Street
P O Box 277
Kamiah, ID 83536
(208) 935-2124
Fax (208) 935-0223

December 22, 2008

Gene Sparks, CPA, Managing Auditor
Legislative Services Office
PO Box 83720
Boise, ID 83720-0054

Dear Mr. Sparks:

I have reviewed the audit report prepared by your office for the fiscal years ending June 30th, 2006, and 2007. The Department agrees with the contents of your report and appreciates your recommendations for improvement.

To address the finding of inadequate internal controls over preparation of the financial statements we will implement internal controls to detect and prevent financial statement misstatements in the future. The finance department is under new management and will take the following action:

- Prepare annual financial statements to improve accuracy.
- Incorporate specific issues from the finding into a checklist to improve quality.
- Attend professional education meetings covering changing GASB requirements.
- Work more closely with other health districts to obtain consistency.
- Work closely with the Legislative Services Office (LSO) to clarify unanswered questions before submitting the final version of financial statements.
- Consider outside review of financial statements prior to submitting to LSO.

On behalf of the staff and members of the Board, thank you for your thorough audit and accompanying report. We appreciate the opportunity to learn from the results and implement your recommendations to improve operations at the North Central District Health Department.

Sincerely,

Carol M. Moehrle
Director

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 – The legislature established a law that created seven mandatory public health districts. In the North Central District Health Department (II), the counties designated were Clearwater, Idaho, Latah, Lewis, and Nez Perce. The director of the State Department of Health and Welfare was designated fiscal officer for the various districts.
- 1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 – The legislature clarified the need for district health departments to use the Idaho Administrative Procedures Act for fees and rules.
- 2007 – Legislation changing Idaho Code, Section 39-412 to reflect a change in the compensation of Board members, to reference Idaho Code, Section 59-509(I)
- 2007 – Legislation changing Idaho Code, Section 39-411 composition of Districts' Boards of Health to allow those Districts comprised of eight counties to consist of not less than eight members and no more than nine members.
- 2008 – Legislation changing Idaho Code, Section 39-414 to change the language "For purposes of this chapter, a Public Health District is not a subdivision of the state and is considered an independent body corporate and politic, in terms of negotiating long term debt financing."

PURPOSE

The purpose of the North Central District Health Department (II) is to prevent disease, disability, and premature death; promote healthy lifestyles; and protect and promote the health and quality of an environment in which people can be healthy.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a seven-member board appointed by the county commissioners of the counties served. Board members serve staggered five-year terms, and are reimbursed \$75 per working day plus all necessary travel expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians and pharmacists provide medical consulting services to the District.

The District is organized into six major sections:

1. Management Services – Provides support to the District's other sections (budget, accounting, and government services).

2. Family and Children's Health Services – Provides services related to WIC (Women, Infants, and Children's nutrition program), child health services, school health, and HIV intervention.
3. Environmental Health – Provides services related to drinking water protection, food inspections, septic system inspections, and child care facility inspections.
4. Community Health – Provides health education and promotion to the public related to dental care, diabetes, asthma, tobacco control, and preparedness.
5. Clinical Services – Provides services related family planning, immunizations, tuberculosis (TB), and sexually transmitted diseases (STD).
6. General Support – Provides clerical and IT supervision.

The District has a central office in Lewiston, and four satellite offices in Orofino, Grangeville, Moscow, and Kamiah. An organizational chart is included at the end of this report.

STAFFING

The District has 62 employees, including 16 nurses, 2 nutritionists, 7 environmentalists, 1 dental hygienist, and 36 supporting staff members.

FUNDING

Financing for the District comes from county contributions; General Fund appropriations; Tobacco Millennium Fund appropriations; federal, State, and private contracts; fees and donations; and charges relating to use of services, equipment, and supplies. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District receives funds from contracts with the Idaho Department of Health and Welfare, cities, other governmental agencies, clients who receive public health services (e.g., client fees, donations, client insurance, Medicaid, and Medicare), and fees for environmental inspections and licenses.

North Central District Health Department Organizational Chart

5 Boards of County Commissioners

Board of Health

District Director
Moehrl - 1001

